

Fiscal Year 1982 Federal Budget Revisions

IN mid-February, the new administration proposed a substantial policy change designed to slow inflation, encourage saving and investment, and stimulate economic growth. The plan to achieve these objectives has four parts: (1) a sharp reduction in the growth of Federal spending; (2) substantial tax cuts; (3) elimination and modification

of certain Federal regulations deemed to hamper economic activity; and (4) a slower growth in the supply of money.

On March 10, the administration submitted to Congress a detailed revision of the fiscal year 1982 budget proposed in January by the previous administration. The major revisions are:

- A reduction in nondefense spending;
- An increase in defense spending;
- A reduction in marginal individual income tax rates, phased in over three years; and
- A change in depreciation rules, resulting in an increase in business depreciation allowances.

Nondefense spending is reduced \$5.5 billion in 1981 and \$48.4 billion in 1982. New economic assumptions and technical reestimates account for part of the

reductions. However, the major factor is proposed reductions affecting almost all nondefense programs. Specifically

Table 1.—Economic Assumptions Underlying the Fiscal Year 1982 Budget Revisions

	Calendar year			
	Actual		Estimates	
	1979	1980	1981	1982
Billion of dollars				
Gross national product:				
Current dollars.....	2,414	2,629	2,820	2,983
1972 dollars.....	1,488	1,482	1,487	1,580
Income:				
Personal income.....	1,044	2,181	2,380	2,675
Wages and salaries.....	1,224	1,344	1,488	1,607
Corporate profits before taxes.....	255	548	1,223	1,284
Percent change from preceding year				
GNP in current dollars:				
Annual average.....	12.0	8.9	11.3	12.8
Fourth quarter.....	9.9	4.8	11.0	18.3
GNP in 1972 dollars:				
Annual average.....	2.2	-1.1	1.1	4.2
Fourth quarter.....	1.7	0	1.4	5.3
GNP deflator:				
Annual average.....	2.5	9.6	0.0	6.3
Fourth quarter.....	6.1	9.9	9.5	7.7
Consumer Price Index:				
Annual average.....	11.4	13.5	11.1	6.3
Fourth quarter.....	12.8	12.4	10.8	7.2
Percent				
Unemployment rate:				
Annual average.....	5.8	7.2	7.8	7.2
Fourth quarter.....	5.0	7.6	7.7	7.0
Insured unemployment rate: ¹				
Annual average.....	2.0	3.0	4.4	4.8
Fourth quarter.....	2.1	2.8	4.2	4.7
Interest rate, 91-day Treasury bill.....	10.0	11.5	11.1	8.9

1. Includes the direct effect of the administration's depreciation proposal.

2. Insured unemployment under the State regular employment insurance program, excluding recipients of extended benefits, as percentage of covered employment under that program.

3. Average rate of new issues within the year. The estimates assume, by convention, that interest rates vary with the rate of inflation. They do not represent a forecast of interest rates.

Source: "Fiscal Year 1982 Budget Revisions."

Table 2.—Federal Government Receipts and Expenditures

	Fiscal year		
	Actual		Estimates
	1980	1981	1982
Unified budget			
Receipts.....	420.8	600.3	650.3
Outlays.....	578.5	685.2	695.3
Surplus or deficit (-).....	-59.4	-84.9	-45.0
National income and product accounts			
Receipts.....	427.3	606.0	664.4
Expenditures.....	578.2	683.1	707.1
Surplus or deficit (-).....	-50.9	-84.1	-42.7
High-employment surplus or deficit (-).....	-15.7	13.2	23.7

Source: "Fiscal Year 1982 Budget Revisions" and the Bureau of Economic Analysis.

Table 3.—January and Revised Budget Estimates

	Fiscal year 1981			Fiscal year 1982		
	January budget		Revised budget	January budget		Revised budget
	January budget	Revisions	Revised budget	January budget	Revisions	Revised budget
Billion of dollars						
Unified budget receipts.....	607.8	-7.3	600.5	711.8	-61.4	650.3
Reconciliation items.....	4.1	2.3	6.4	16.4	-1.8	14.7
Federal Government receipts, NIPA.....	614.4	-4.9	609.5	728.2	-68.2	660.0
Personal tax and nontax receipts.....	200.5	-7.0	193.5	339.3	-43.6	295.7
Corporate profits tax receipts.....	67.9	-3	64.9	78.8	-5.8	73.0
Indirect business tax and nontax receipts.....	81.2	-1.0	80.2	82.8	-14.4	68.4
Contributions for social insurance.....	164.8	2.6	167.4	225.3	-4	221.7
Unified budget outlays.....	687.7	-7.6	680.1	739.3	-44.0	695.3
Reconciliation items.....	8.3	-3	5.3	7.8	4.8	11.8
Federal Government expenditures, NIPA.....	671.0	-7.0	664.0	747.1	-58.2	688.9
Purchases of goods and services.....	216.5	-2.0	214.5	248.7	-4.0	244.7
National defense.....	148.0	-2	146.0	187.5	-5.4	182.0
Nondefense.....	70.5	-2.1	68.4	61.2	-0.4	60.8
Transfer payments.....	281.5	-8	273.5	313.9	-11.2	302.7
To persons.....	274.8	-1.3	273.5	308.7	-11.6	297.1
To foreigners.....	4.7	.5	5.2	5.2	.4	5.6
Grants-in-aid to State and local governments.....	80.3	-0	80.3	94.6	-14.2	80.4
Net interest paid.....	87.3	-2.9	84.4	75.1	-6.6	68.5
Subsidies less current surplus of government enterprises.....	13.4	-1.4	12.0	14.0	-3.2	10.8
Unified budget deficit.....	-55.2	.3	-54.9	-27.5	-27.4	-54.9
Reconciliation items.....	-1.4	2.7	1.3	9.4	-6.4	3.0
Federal Government deficit, NIPA.....	-56.6	3.0	-53.6	-36.9	-24.0	-60.9

1. See table 4 for receipt reconciliation items and table 5 for expenditure reconciliation items.

Table 4.—Relation of Federal Government Receipts in the National Income and Product Accounts to the Unified Budget

	Fiscal year		
	1980	1981	1982
Unified budget receipts.....	\$28.9	\$30.3	\$29.3
Less: Coverage differences.....	1.2	1.5	1.5
Financial transactions.....			
Plus: Netting differences:			
Contributions to government employees retirement funds.....	2.6	0.7	10.3
Other.....	4.0	8.0	6.5
Timing differences:			
Corporate income tax.....	-5.5	-6.7	-2.1
Federal and State unemployment insurance taxes.....	-1.1	.3	.3
Withheld personal income tax and social security contributions.....	-1.3	-1.1	.4
Excise taxes.....	.0	3.0	.1
Other.....			
Miscellaneous.....	.3	-1.3	.2
Equals: Federal Government receipts, NIPA.....	\$25.4	\$28.5	\$28.8

exempt from reductions are so-called "social safety net" programs. These include basic social security benefits for the elderly, medicare, railroad retirement, supplemental security income, basic unemployment insurance, and certain veterans' benefits.

Defense spending is increased \$1 billion in 1981 and \$4.4 billion in 1982.

Table 6.—Breakdown of Changes in Federal Receipts, NIPA Basis

	Change from preceding fiscal year		
	1980	1981	1982
Total receipts.....	44.7	84.1	65.6
Due to higher tax bases.....	45.0	68.8	80.2
Due to tax changes ¹	-3.3	15.3	-33.7
Enacted.....	-3.3	28.0	9.7
Proposed.....		-10.3	-43.0
Personal tax and nontax receipts.....	28.5	33.8	12.2
Due to higher tax bases.....	43.7	44.0	55.7
Due to tax changes.....	-14.1	-11.1	-43.5
Enacted.....	-14.1	-8.5	-4.4
Proposed.....		-7.0	-38.1
Corporate profits tax accounts.....	-5.2	-2.4	5.0
Due to higher tax bases.....	-2.7	9.1	13.9
Due to tax changes.....	-2.5	-11.5	-7.9
Enacted.....	-2.5	-6.3	-2.1
Proposed.....		-3.2	-5.8
Indirect business tax and nontax accounts.....	0.0	24.6	0.2
Due to higher tax bases.....	1.0	1.5	2.8
Due to tax changes.....	5.0	23.0	0.4
Enacted.....	5.0	23.4	4.8
Proposed.....		.5	1.6
Contributions for social insurance.....	10.7	28.3	20.1
Due to higher tax bases.....	8.4	13.3	17.8
Due to tax changes.....	2.3	15.0	11.3
Enacted.....	2.3	15.0	11.0
Proposed.....			.3

1. Consists of all tax changes since fiscal 1979.

Most of the added spending is for operation and maintenance and for military pay increases. The administration also is asking for substantially more spending authority in 1982 than requested by the previous administration, principally for procurement of weapons already in production.

The individual income tax proposal reduces taxes \$6.4 billion in 1981 and \$44.2 billion in 1982. Under the proposal, tax liabilities are reduced, as compared to present law, 5 percent in calendar year 1981, 15 percent in 1982, 25 percent in 1983, and 30 percent in 1984. Withholding rates are reduced 10 percent on July 1, 1981, and on January 1 of succeeding years in order to match the reduction in liabilities. A large share of the proposed rate reduction offsets tax increases resulting from already-enacted increases in social security payroll taxes and "bracket creep." The latter is the effect on taxpayers of being pushed into tax brackets with higher tax rates as inflation boosts dollar incomes.

The proposed change in depreciation rules reduces receipts \$2.5 billion in 1981 and \$9.7 billion in 1982. The depreciation proposal is a slightly modified version of the 10-5-3 plan discussed in Con-

Table 5.—Relation of Federal Government Expenditures in the National Income and Product Accounts to the Unified Budget

	Fiscal year		
	1980	1981	1982
Unified budget outlays.....	\$79.5	\$85.2	\$85.3
Less: Coverage differences:			
Geographic.....	4.5	4.9	4.0
Off-budget Federal entities.....	-14.2	-23.5	-18.7
Other.....	.2	.2	.2
Financial transactions:			
Net lending.....	26.0	26.4	20.7
Other.....	-1.3	.1	-1.1
Net purchases of land:			
Outer Continental Shelf.....	-2.2	-0.6	-0.7
Other.....	.4	.3	.2
Plus: Netting differences:			
Contributions to government employees retirement funds.....	5.6	9.7	10.3
Other.....	4.0	5.9	6.5
Timing differences:			
National defense purchases.....	-1.0	-1.7	-1.8
Other.....	-1.3	-2.1	-2.3
Miscellaneous.....	.3	0	.3
Equals: Federal Government expenditures, NIPA.....	\$78.2	\$68.1	\$79.1

gress last year. The proposal assigns depreciable lives of 10 years to most industrial buildings, 3 years to cars and light trucks, and 5 years to other equipment. It is retroactive to January 1, 1981. The revenue losses in 1981 and

Table 7.—Breakdown of Changes in Federal Expenditures, NIPA Basis

	Change from preceding fiscal year		
	1980	1981	1982
Total expenditures.....	83.5	84.3	44.8
Purchases of goods and services:			
Pay raises ¹	3.9	7.2	8.8
Commodity Credit Corporation.....	1.8	-2.8	2.4
Strategic petroleum reserve.....	-1.5	2.7	.5
Naval petroleum reserve sales.....	-1.7	-1.0	-1.2
Transfer payments to persons:			
Social security.....	10.0	26.3	22.8
Unemployment benefits.....	5.4	5.4	-2.8
Military and civilian pensions.....	4.0	4.7	3.7
Trade adjustment assistance.....	1.4	1.0	-2.9
Grants-in-aid to State and local governments:			
Public assistance.....	1.0	3.4	.2
Highways.....	1.8	-1.5	-1.7
General revenue sharing.....		-1.6	-1.8
Education.....	1.0	.4	-1.5
Food and nutrition.....	.7	.2	-1.3
Public service employment.....	-1.3	-1.1	-2.5
Net interest paid.....	10.6	13.2	4.1
Subsidies less current surplus of government enterprises:			
Housing.....	.0	2.0	1.3
Commodity Credit Corporation deficit.....	.2	-1.2	-1.7
Agricultural subsidies.....	-1.0	.0	-1.5
All other expenditures ²	34.0	24.1	35.5
National defense.....	15.0	16.7	19.2
Nondefense.....	18.0	7.4	-3.7

1. Consists of pay raises since October 1970.

2. Includes purchases of goods and services, transfer payments, grants-in-aid, and subsidies less the current surplus of government enterprises.

1982 are relatively small because the depreciation changes are phased in over 5 years, but increase rapidly in later years, reaching \$85 billion by 1989.

Economic assumptions.—The economic assumptions underlying the fiscal year 1982 budget revisions are shown in table 1. Gross national product (GNP) is forecast to increase about 1½ percent from the fourth quarter of 1980 to the fourth quarter of 1981 and 5¼ percent to the fourth quarter of 1982. Real growth is sluggish until the second half of 1981 and picks up thereafter when the administration's program is in place. Prices, as measured by the GNP deflator, increase 9½ percent to the fourth quarter of 1981 and 7¾ percent to the fourth quarter of 1982. The unemployment rate is forecast to increase to 7.7 percent in the fourth quarter of 1981 and to decline to 7 percent by the end of 1982.

Unified budget

The unified budget deficit decreases from \$54.9 billion in fiscal year 1981 to \$46 billion in fiscal year 1982 (table 2).

Despite the tax reductions, receipts increase \$50 billion—or 8.3 percent—in 1982, to \$650.3 billion. Receipts in 1981 are \$600.3 billion, up 15.4 percent from 1980. Roughly 80 percent of the 1982 increase is accounted for by social insurance taxes and contributions and by excise taxes.

Outlays increase \$40.1 billion—or 6.1 percent—in 1982, to \$695.3 billion. Outlays in 1981 are \$655.2, up 13 percent from 1980. National defense outlays increase \$26.7 billion, accounting for two-thirds of the 1982 increase. Nondefense outlays increase \$13.4 billion. Outlays for income security, health, and interest more than account for the increase; all other outlays, taken together, decline. These "all other outlays," which account for less than one-fifth of the total budget, will be 15 percent below their 1980 level if the budget estimates materialize.

Federal sector of the NIPAs

BEA has prepared estimates of the Federal sector on the national income and product accounting (NIPA) basis consistent with the revised unified budget estimates (table 3). Details of

Table 3.—Breakdown of Revisions in Federal Government Expenditures, NIPA Basis

(Billions of dollars)

	Fiscal year 1981			Fiscal year 1982		
	Total Revisions	Revisions	Increases	Total Revisions	Revisions	Increases
Federal Government expenditures.....	-7.1	-14.8	7.4	-35.2	-62.9	24.1
Purchases of goods and services:						
National defense.....	.2	-2.4	2.2	5.4	-1.1	6.6
Nondefense.....	-2.1	-2.6	.7	-9.4	-11.6	2.2
Strategic petroleum reserve.....		-5	.6		-1.3	1.1
Federal Aviation Administration.....				-1	-6	.5
Health programs.....	-1	-1		-1	-4	.3
Commodity Credit Corporation.....	-1	-1		-2.3	-2.3	
Energy programs.....	-1.6	-1.8	.2	-6.3	-6.4	.1
All other.....						
Transfer payments.....	-6	-2.0	1.7	-11.2	-12.4	1.2
To persons.....	-1.3	-2.0	1.2	-11.0	-12.3	.7
Medicare.....	1.2		1.2	.5		.8
Military and civilian pensions.....	-1	-1		-6	-6	.1
Food stamps.....	-1	-1		-1.2	-1.2	
Old age, survivors, and disability insurance.....	-4	-2		-4.8	-4.8	
Unemployment benefits.....	-1.2	-1.2		-2.0	-2.0	
All other.....	-7	-8		-2.7	-2.8	.1
To foreign.....	.6		1.5	.4	-1	1.3
Grants-in-aid to State and local governments.....	-1	-1.7	.8	-14.2	-17.8	3.6
Mass transit.....	.2		.2	.2	-1.2	
Food and nutrition.....	.1		.1	-1.0	-1.0	
Public assistance:						
Social services.....	.4		.4	.4		.4
Add to families with dependent children.....				-5	-5	
Medicaid.....	-3	-3		-9	-9	
Highways.....				-4	-4	
Waste treatment grants.....				-4	-4	
Energy programs.....				-10	-10	
Employment assistance.....	-1	-1		-1.1	-1.1	
Education.....	-1	-2	.1	-2.0	-4.0	3.0
Public service employment.....	-5	-5		-3.0	-3.0	
All other.....	-6	-6		-2.7	-3.0	.2
Net interest paid.....	-2.0	-3.5	.6	-0.0	-2.4	1.8
Subsidies less current surplus of government enterprises.....	-1.4	-1.8	.5	-3.3	-4.8	1.5
Postal Service.....	.4		.4	1.2	-1.2	1.3
Railroad.....				-3	-3	
Housing.....	-1	-1		-3	-3	
Refundable investment tax credit.....	-1.7	-1.7		-3.0	-3.0	
All other.....	.1		.1	.2	-1.2	

1 Bureau of Economic Analysis estimates.

Table 9.—Relation of National Defense Purchases in the National Income and Product Accounts to National Defense Outlays in the Unified Budget

(Billions of dollars)

	Fiscal year		
	Actual 1980	Estimates	
		1981	1982
National defense outlays in the unified budget.....	135.5	162.1	168.8
Department of Defense, military.....	132.8	158.0	164.8
Military personnel.....	30.8	37.0	38.8
Retired military personnel.....	11.0	13.0	15.7
Operation and maintenance.....	44.8	53.8	61.3
Procurement.....	20.0	34.1	40.1
Aircraft.....	11.1	12.1	13.5
Missiles.....	2.5	2.2	4.1
Ships.....	4.2	4.0	5.1
Weapons.....	3.2	4.0	4.8
Ammunitions.....	1.5	1.2	1.5
Other.....	8.7	7.6	9.1
Research, development, test, and evaluation.....	13.1	15.2	16.2
Other.....	3.2	4.4	4.4
Civilian and military pay raises 1.....		.4	6.4
Atomic energy and other defense related activities.....	3.0	3.5	4.0
Plus: Military assistance outlays.....	3.0	2.0	3.0
Less: Transfer payments to retired military personnel.....	11.9	13.8	15.4
Grants-in-aid and net interest paid.....	1.0	1.1	1.3
Timing differences and other adjustments.....	.8	1.0	2.3
Equals: National defense purchases, NIPA.....	128.1	145.2	172.9

1. Consists of pay raises effective July and October 1981

Table 10.—Federal Government Receipts and Expenditures, NIPA Basis

(Billions of dollars)

	Fiscal year				Calendar year												
	Actual 1980	Estimates		Actual 1980	Esti- mate 1981	Actual 1980				Estimates							
		1981	1982			I	II	III	IV	1981				1982			
										I	II	III	IV	I	II	III	IV
Federal Government receipts.....	626.6	683.6	665.9	648.8	628.2	528.4	529.1	540.8	573.1	611.6	630.1	626.6	644.3	652.0	673.1	693.0	
Legislation proposed:																	
Rate reductions.....		-7.3	-44.9		-14.8						-0.0	-28.9	-29.4	-48.2	-40.2	-60.6	
Capital cost recovery program.....		-3.6	-11.1		-4.7					-4.1	-4.7	-1.8	-5.0	-12.0	-12.0	-13.2	
Other.....		.6	3.7		1.2							2.3	2.6	2.6	2.8	2.0	
Windfall profits tax.....	5.8	27.6	33.1	6.2	31.7	2.3	7.7	10.8	10.2	27.7	32.1	31.3	32.4	33.0	33.2	35.0	
Social security.....	2.1	10.8	27.3	4.3	32.1	4.1	4.3	4.3	3.5	31.3	21.8	22.6	23.1	23.9	20.5	20.2	
Other.....	517.0	576.5	557.9	587.3	582.7	529.0	500.0	525.7	552.4	500.7	561.5	591.3	620.7	617.9	600.4	600.0	
Personal tax and nontax receipts.....	210.7	285.6	206.7	267.8	288.3	240.0	252.0	250.4	272.9	285.0	296.8	280.3	291.2	384.0	297.5	350.0	
Legislation proposed:																	
Rate reductions.....		-7.3	-44.0		-14.8						-0.0	-28.9	-29.6	-48.2	-40.2	-60.6	
Capital cost recovery program.....		-3.6	-11.1		-4.7					-4.1	-4.7	-1.8	-5.0	-12.0	-12.0	-13.2	
Other.....		.6	3.7		1.2							2.3	2.6	2.6	2.8	2.0	
Other.....	240.7	291.1	342.4	357.8	303.3	216.9	252.0	250.4	272.9	285.0	297.8	300.4	321.0	335.0	348.4	301.8	
Corporate profits tax receipts.....	70.6	68.9	73.8	70.1	68.0	60.5	60.9	60.7	72.5	68.5	55.6	68.1	71.7	71.9	73.7	75.4	
Legislation proposed:																	
Capital cost recovery program.....		-3.9	-9.0		-4.4					-4.1	-4.7	-1.4	-4.6	-9.5	-10.5	-11.5	
Other.....	70.6	72.4	82.3	70.1	72.4	60.5	60.9	60.7	72.5	70.6	68.0	72.6	70.3	81.6	81.3	84.6	
Indirect business tax and nontax receipts.....	35.7	50.2	50.4	40.6	61.9	31.9	33.7	42.9	40.1	60.1	63.0	68.6	67.3	68.0	60.8	71.3	
Legislation proposed:																	
Windfall profits tax.....	5.8	27.6	33.1	9.2	31.7	2.3	7.7	10.8	10.2	27.7	32.1	31.3	32.4	33.0	33.2	35.0	
Other.....	29.9	32.2	34.3	31.4	32.1	29.6	31.0	32.1	32.0	32.4	30.9	37.2	32.0	33.0	34.0	35.6	
Contributions for social insurance.....	109.4	107.0	230.7	173.2	207.1	190.2	160.3	171.9	178.0	204.0	204.7	208.7	213.0	230.2	232.0	230.7	
Legislation proposed:																	
Social security:																	
January 1, 1980, base increase:																	
\$23,000-\$25,000.....	1.4	4.1	4.1	3.0	4.0	3.4	3.5	3.0	3.8	3.0	4.0	4.1	4.1	4.1	4.1	4.1	
January 1, 1981, base increase:																	
\$25,000-\$29,700.....		1.7	4.7		4.1					3.0	4.0	4.2	4.4	4.0	4.8	5.0	
January 1, 1981, rate increase:																	
12.6%-13.3%.....		0.7	13.9		12.7					12.2	12.5	12.9	13.3	13.7	14.1	14.5	
January 1, 1982, base increase:																	
\$20,700-\$22,100.....			1.1											2.0	2.0	2.7	
January 1, 1982, rate increase:																	
13.3%-14.4%.....			1.0											1.3	1.4	1.4	
Self-employed increase.....	.7	1.3	2.5	.7	1.3	.7	.7	.7	.7	1.3	1.3	1.3	1.3	2.5	2.5	2.6	
Other.....	107.0	180.8	100.1	167.8	181.0	105.1	185.1	107.5	174.1	178.7	182.0	187.2	190.3	107.2	202.2	200.2	
Federal Government expenditures.....	678.2	803.1	707.1	602.8	678.7	604.7	587.3	615.9	641.1	658.0	665.5	686.6	692.7	700.3	788.6	727.2	
Purchases of goods and services.....	100.2	210.0	214.7	188.9	323.0	100.0	198.7	191.9	212.0	217.0	210.0	210.0	234.1	243.7	248.2	242.8	
National defense.....	126.1	148.2	172.9	131.7	154.0	125.0	128.7	131.2	141.6	144.0	140.5	163.8	165.2	170.4	175.4	180.4	
Pay raises:																	
October 1980.....		5.0	5.0	1.2	5.0				4.8	5.0	5.0	5.0	5.0	5.0	5.0	5.0	
July 1981.....		.4	1.0		.8						1.6	1.8	1.9	1.9	2.0	2.0	
October 1981.....		4.0			.8						3.8	4.0	4.0	4.0	4.0	4.0	
Other.....	126.1	142.8	162.0	130.5	147.2	125.0	128.7	131.4	141.6	144.0	140.7	164.0	164.5	164.5	164.5	164.4	
Nondefense.....	61.1	68.4	71.8	67.2	68.0	61.0	70.0	63.5	70.4	72.7	67.1	63.8	68.0	73.3	72.8	72.2	
Pay raises:																	
October 1980.....		1.8	1.8	.4	1.8				1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	
October 1981.....			1.4		.3									1.3	1.4	1.4	
Commodity Credit Corporation.....	.8	-2.1	.3	.7	-2.0	1.0	5.0	-4.2	.1	3.0	-3.0	-5.5	-3.0	2.0	1.9	.8	
Strategic petroleum reserve.....		3.7	4.3	.8	6.4				2.3	2.0	4.0	6.6	5.0	4.0	4.0	3.9	
Naval petroleum reserve sales.....	-1.2	-2.2	-2.4	-1.9	-2.3	-1.0	-1.8	-1.0	-1.9	-1.9	-2.5	-2.5	-2.4	-2.1	-2.1	-2.4	
All other.....	64.5	67.2	60.5	67.0	68.7	61.0	63.8	60.0	67.2	67.8	60.8	60.0	66.2	65.5	60.6	68.7	
Transfer payments.....	280.3	280.7	302.7	340.8	288.1	228.0	230.0	205.3	209.0	271.3	281.0	304.0	298.4	297.3	300.4	314.8	
To persons.....	234.7	276.6	267.1	314.0	282.1	224.4	232.2	200.4	202.2	260.2	270.1	296.0	293.1	291.8	294.7	308.9	
Social security.....	147.4	173.7	190.3	183.9	182.0	144.7	153.2	103.2	103.4	168.0	171.0	188.7	190.6	192.3	193.8	208.7	
Unemployment benefits.....	14.3	19.7	16.9	15.8	28.7	11.2	10.8	18.8	17.3	15.2	20.7	25.4	21.3	17.7	16.6	18.2	
Regular.....	13.4	18.3	15.7	14.3	17.3	10.6	11.8	19.3	14.7	12.8	16.0	20.8	18.7	16.7	14.7	12.7	
Extended.....	.9	3.4	1.2	1.5	3.4	.4	1.0	2.0	2.6	2.4	3.8	4.6	2.6	1.0	.8	.6	
Other.....	73.0	82.1	83.0	75.2	82.4	70.0	71.7	78.4	80.0	82.4	83.0	82.0	81.3	81.8	85.4	87.0	
To foreigners.....	4.0	5.2	6.6	4.8	5.0	4.6	3.8	4.0	6.4	5.0	4.0	5.0	5.3	5.6	5.7	5.9	
Grants-in-aid to State and local governments.....	80.7	88.4	80.4	88.0	86.7	83.6	87.2	87.7	91.8	80.7	80.4	85.8	81.8	80.4	80.3	79.0	
General revenue sharing.....	6.8	8.2	4.6	6.8	4.0	6.8	6.8	6.8	6.8	4.8	4.6	4.6	4.6	4.6	4.6	4.6	
Public assistance.....	33.6	27.3	27.0	24.5	37.7	24.1	23.8	23.6	26.1	27.2	27.7	28.2	27.8	27.5	27.5	27.2	
Public service employment.....	3.0	2.5		3.0	1.8	2.8	3.3	3.2	2.7	2.8	2.8	2.8	2.8				
Other.....	58.4	54.4	48.3	53.7	55.0	51.8	53.0	51.2	50.9	54.0	54.6	53.0	49.4	48.3	48.2	47.8	
Net interest paid.....	51.2	61.4	66.6	63.3	67.0	50.3	51.1	53.5	55.2	60.9	67.3	68.0	68.2	68.4	69.0	69.8	
Central interest payment.....		.7		.7	.7					2.0							
Other.....	51.2	60.7	66.6	63.3	66.3	50.3	51.1	53.5	55.2	58.9	67.3	68.0	68.2	68.4	69.0	69.8	
Subsidies less current surplus of government enterprises.....	10.8	12.0	10.6	12.0	11.3	10.1	11.0	13.7	13.1	12.0	11.2	11.3	10.2	10.5	11.1	11.4	
Agriculture.....																	
Commodity Credit Corporation deficit.....	1.8	1.8	.0	1.6	1.2	.7	.0	3.2	1.1	.3	1.8	2.0	.8	.8	.0	.4	
Subsidies.....	.7	1.3	.7	1.2	1.1	1.0	1.1	1.2	1.3	1.3	1.3	.7	.7	.7	.7	.7	
Postal Service.....	1.0	1.5	1.0	1.8	1.2	1.4	1.7	1.0	2.4	2.6	.4	.6	1.1	1.0	2.2	2.7	
Regular.....	1.0	2.9	4.6	3.3	3.3				2.4	2.0	3.1	3.3	3.8	4.3	4.0	5.1	
Rate increase.....	-1.4	-2.7	1.8	2.1	1.4	1.7	1.0			-3.3	-3.7	-2.7	-2.7	-2.7	-2.7	-3.7	
Other.....	7.0	7.9	7.6	7.6	7.8	7.0	7.3	7.4	8.3	8.4	7.7	7.4	7.0	7.0	7.0	7.6	
Surplus or deficit (—) NIPA.....	-52.8	-53.6	-42.1	-41.2	-47.5	-38.3	-30.5	-74.2	-68.0	-44.4	-35.4	-68.6	-48.4	-48.3	-35.5	-34.2	

Notes.—Fiscal year totals are based on unadjusted data and will not always conform to the average of four seasonally adjusted quarters. The estimate for the first quarter of 1981 differs from the "actual" shown in table 3.2.

the NIPA estimates consistent with the January budget appear in *Special Analyses, Budget of the United States Government, Fiscal Year 1982*, "Special Analysis B."

Estimates of the Federal sector are integrated conceptually and statistically with the rest of the NIPA's, and differ in several respects from the unified budget. Unlike the unified budget, they exclude financial transactions, such as loans, and record several categories of receipts and expenditures on a timing basis that is different from the budget. (For a more detailed discussion of the differences, see the February 1980 *SURVEY OF CURRENT BUSINESS*.) Table 4 shows the relation between unified budget and NIPA receipts and table 5 shows the relation between unified budget outlays and NIPA expenditures.

Federal receipts on the NIPA basis in 1982 are \$665.0 billion, up \$55.5 billion from 1981. The increase is the net result of an \$89.2 billion increase due to higher tax bases and a \$33.7 billion decrease due to tax changes (table 6).

Federal expenditures on the NIPA basis in 1982 are \$707.1 billion, up \$44 billion from 1981. As shown in table 7, social security benefits account for over one-half of the 1982 increase; pay and pensions for Federal employees and net interest paid are also up. Reductions occur in various grants-in-aid to State and local governments, in unemployment benefits, and in agricultural subsidies.

Table 8 shows a more detailed breakdown of the expenditure revisions to the January budget. The 1982 revisions are the net result of \$56 billion of reductions and \$17 billion of increases. The reductions are concentrated in

grants-in-aid, transfer payments to persons, and nondefense purchases. The largest increase occurs in national defense purchases. Table 9 shows the relation between national defense outlays in the unified budget and national defense purchases on the NIPA basis.

Quarterly pattern.—On a quarterly basis, the Federal deficit peaks in the third quarter of 1981 when income tax withholding rates are cut and social security benefits are increased. The deficit declines thereafter; expenditure increases are moderate and receipts rebound following the expected economic expansion (table 10).

The quarterly pattern is estimated by BEA with the cooperation of the Office of Management and Budget, the Social Security Administration, and the Departments of Agriculture, Labor, and Treasury. Receipts reflect the pattern of legislation consistent with the budget revisions and the administration's projected quarterly pattern of wages and profits. Expenditures reflect the pattern of proposed legislation and selected other items, such as cost-of-living increases in retirement benefits and pay raises for Federal employees. All estimates are seasonally adjusted at annual rates.

High-employment surplus or deficit.—The high-employment surplus is an estimate of the amount by which Federal revenues would exceed Federal expenditures if the economy were operating at a high-employment level of activity at current price levels. Consequently, cyclical fluctuations in the economy do not affect high-employment budget receipts or expenditures. The high-employment surplus is therefore a measure, although an imperfect one,

Table 11.—High-Employment Surplus or Deficit (—), NIPA Basis

(Billions of dollars)

	High employment surplus or deficit (—)	Change
Calendar year:		
1979.....	-2.2	13.5
1980.....	-15.2	-16.1
1981.....	22.8	41.1
Quarters:		
1979:		
I.....	-4.8	8.0
II.....	5.1	9.7
III.....	-2.3	-7.4
IV.....	-7.0	-4.7
1980:		
I.....	-17.1	-10.1
II.....	-21.6	-4.5
III.....	-21.2	0.4
IV.....	-13.2	8.0
1981:		
I.....	12.3	25.4
II.....	26.7	24.5
III.....	16.0	-19.8
IV.....	28.6	8.7
1982:		
I.....	16.0	-0.0
II.....	27.0	8.0
III.....	23.2	-3.8

of discretionary fiscal policy. (See the November 1980 *SURVEY* for a discussion of the limitations of the high-employment budget and BEA's new methodology for calculating it.)

As measured on a high-employment basis, the Federal sector of the NIPA's was in deficit in calendar year 1980 and is forecast to be in surplus in 1981 and 1982. The swing to surplus is concentrated in the first half of 1981, reflecting the large increase in social security taxes in January and an increase in the windfall profits tax resulting from the complete decontrol of domestic oil prices in January. Thereafter, the surplus is reduced somewhat; the subsequent quarterly pattern reflects primarily the proposed tax reductions and increases for social security and Federal pay raises (table 11).